

Message Text

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45

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EA-07 ISO-00 GSA-01 INT-05 SP-02

AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01

CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06

XMB-02 OPIC-03 LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01

/100 W

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P R 171630Z SEP 75

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC PRIORITY 4742

INFO AMEMBASSY CANBERRA

AMEMBASSY CONAKRY

AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY PORT AU PRINCE

AMCONSUL PARAMARIBO

C O N F I D E N T I A L SANTO DOMINGO 3976

E.O. 11652: GDS

TAGS: EMIN, EFIN, IND, DR

SUBJECT: BAUXITE NEGOTIATIONS WITH ALCOA ARE GOING WELL

REF: SANTO DOMINGO 3732

1. NEGOTIATIONS BETWEEN ALCOA AND THE GODR BAUXITE COMMISSION CONTINUE WITH LOCAL ALCOA MANAGER PATRICK HUGHSON AND DOMINICAN NEGOTIATORS APPEARING MORE OPTIMISTIC THAN PREVIOUSLY. WHEN THE NEGOTIATIONS OPENED TWO WEEKS AGO, ALCOA PROPOSED THAT THEY SIMPLY EXTEND THE CURRENT INTERIM AGREEMENT THAT EXPIRES SEPTEMBER 30 WITH THE PROVISION THAT ANY ALCOA SETTLEMENT WITH JAMAICA WHICH GIVES THE LATTER MORE INCOME THAN THE DR BE APPLIED RETROACTIVELY HERE TO APRIL 1974; AND THAT ANY SUCH RETROACTIVE PAYMENTS OF ALCOA WOULD BE MADE WITH A SIX PERCENT PER ANNUM INTEREST ACCRUED ON TOP OF THE PAYMENTS.

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2. THE GODR PRESENTED SEVERAL ELEMENTS OF A PROPOSAL, SOME OF WHICH WERE PROBABLY NEGOTIATING PLOYS. THE DOMINICANS ONCE AGAIN DUSTED OFF THE PROPOSAL THAT ALCOA BUILD A JOINTLY-OWNED ALUMINA-PROCESSING PLANT, WITH THE GODR'S SHARE (PRESUMABLY 50 PERCENT) TO BE PAID FROM FUTURE EARNINGS. THE DOMINICANS ALSO WANTED TO ACCELERATE THE RATE OF EXPLOITATION IN SUCH A MANNER THAT THE CURRENTLY KNOWN BAUXITE RESERVES WOULD BE DEPLETED IN 12 RATHER THAN 20 YEARS. IT WAS FINALLY DECIDED THAT THE QUESTION OF BUILDING AN ALUMINA PLANT WOULD BE POSTPONED UNTIL A STUDY IS MADE OF BAUXITE RESERVES IN THE DR.

3. ONE MEMBER OF THE GODR NEGOTIATING TEAM, CEDOPEX DIRECTOR FERNANDO PERICHE VIDAL, ALSO PROPOSED THAT THE STAFF AND EMPLOYEES OF ALCOA'S DOMINICAN SUBSIDIARY BE 100 PERCENT DOMINICAN, BUT THIS WAS QUICKLY DROPPED IN VIEW OF THE FACT THAT 358 OF THE 360 EMPLOYEES ARE ALREADY DOMINICAN AND HUGHSON HIMSELF HAS LIVED HERE FOR A QUARTER CENTURY WITH A DOMINICAN WIFE AND FAMILY. BUT DURING SEVERAL NEGOTIATING SESSIONS, THE GODR HELD STEADFAST TO ITS BASIC POSITION THAT IT COULD ACCEPT NO LESS THAN THE JAMAICANS HAD OBTAINED FROM OTHER ALUMINUM COMPANIES.

4. THE ALCOA REPRESENTATIVES FELT CAUGHT ON THE HORNS OF A DELEMA. ON THE ONE HAND REYNOLDS' RECENT SETTLEMENT IN HAITI THAT COMPLICATED ALCOA'S INITIAL POSITION OF CONTINUING WITH AN INTERIM AGREEMENT IN THE DR. ON THE OTHER HAND A PERMANENT SETTLEMENT IN THE DR MIGHT PREJUDICE ALCOA'S POSITION IN JAMAICA WHERE IT REMAINS THE ONE HOLDOUT IN INSISTING UPON TAKING ITS DISPUTE TO THE WORLD BANK'S INTERNATIONAL CENTER FOR THE SETTLEMENT OF INVESTMENT DISPUTES.

5. NEVERTHELESS, ALCOA FINALLY CAME UP ON SEPTEMBER 11 WITH A BETTER OFFER THAN THAT OF THE INTERIM AGREEMENT AND IT APPEARS TO HAVE PLEASED THE GODR NEGOTIATORS. SECRETARY OF STATE FOR INDUSTRY AND COMMERCE, GUIDO D'ALESSANDRO, WHO IS ONE OF THE NEGOTIATORS, TOLD EMBOFFS LAST NIGHT THAT EVEN THOUGH THE NEGOTIATIONS MIGHT GO ON FOR SEVERAL DAYS, HE FELT A FINAL SETTLEMENT WAS IMMINENT. WHEN ASKED HOW SUCH A SETTLEMENT MIGHT BE COMPARED WITH THE QUOTE JAMAICAN FORMULA UNQUOTE, D'ALESSANDRO REPLIED THAT AFTER TAKING A HARD LOOK AT THE HAITIAN SETTLEMENT, THE DOMINICANS WERE GOING TO COME UP WITH A QUOTE DOMINICAN FORMULA UNQUOTE. HUGHSON, CONFIDENTIAL

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YESTERDAY, WAS ALSO QUITE SANGUINE ABOUT A SETTLEMENT SHORTLY. HURWITCH

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Message Attributes

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